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**TO: Economic Support Supervisors
Economic Support Lead Workers
Training Staff
Child Care Coordinators
W-2 Agencies
Workforce Development Boards
Job Center Leads and Managers**

**FROM: Amy Mendel-Clemens
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BEM/DWS OPERATIONS MEMO

No: 05-04

DATE: 01/21/2005

FS	<input checked="" type="checkbox"/>	MA	<input checked="" type="checkbox"/>	SC	<input checked="" type="checkbox"/>
CTS	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>	W-2	<input checked="" type="checkbox"/>
FSET	<input type="checkbox"/>	EA	<input type="checkbox"/>	CF	<input type="checkbox"/>
JAL	<input type="checkbox"/>	JC	<input type="checkbox"/>	RAP	<input type="checkbox"/>
WIA	<input type="checkbox"/>	Other	EP	<input type="checkbox"/>	★

PRIORITY: HIGH

SUBJECT: EARNED INCOME, HOMESTEAD, AND CHILD TAX CREDITS

CROSS REFERENCE: None

EFFECTIVE DATE: Immediately

PURPOSE

This memo reminds Wisconsin Works (W-2) Agencies, Economic Support (ES) Agencies, Workforce Development Boards (WDBs) and others of the importance of the state and federal Earned Income Tax Credits (EIC/EITC), the state Homestead Credit (HC), and the federal Child Tax Credit as additional income sources for low-income families. Information is provided to update staff so they can encourage eligible participants and applicants to apply for these credits and inform them how to obtain free tax return preparation assistance for tax year 2004.

BACKGROUND

Work program and economic support agencies are reminded to inform their program applicants and participants of the availability of tax credits for low income individuals and families. Many low income families who do not know about and/or do not apply for these tax credits are missing out each year on additional income sources that can help support them.

TAX CREDITS AND SERVICES

STATE AND FEDERAL EARNED INCOME TAX CREDITS

The most significant credit for eligible families is the earned income tax credit. For 2004, the maximum federal credit is \$4,300 and the maximum state credit is \$1,849. (See table below). The amount of these credits is determined on the federal and state tax return forms. Low income working families who expect to be eligible for the federal EITC in tax year 2005 may also be able to receive part of this credit as an Advance Earned Income Tax Credit in their 2005 paychecks. These Individuals simply need to fill out a federal W-5 form and give it to their employer for processing at the beginning of the new year. For more detailed information and forms for the federal EITC and advanced federal EITC, see:

<http://www.irs.gov/individuals/article/0,,id=96456,00.html>.

For more detailed information and forms for the state EIC, refer to Wisconsin DOR site:

<http://www.dor.state.wi.us/faqs/ise/eic.html>.

This year the IRS has added a federal earned income tax credit assistant at site:

<http://www.irs.gov/individuals/index.html> to help taxpayers more quickly understand how much EITC they may be able to receive for 2004. This electronic calculating worksheet allows a person to determine a rough estimate of what the 2004 EITC tax credit will be without having to fill out their tax forms.

STATE HOMESTEAD CREDIT

Many low income families will qualify for the Wisconsin Homestead Credit. This credit is for both homeowners and renters. Households with incomes less than \$24,500 may be eligible for a credit up to \$1,160. People who reside in mobile homes or nursing homes who paid property taxes may also qualify. The Wisconsin Department of Revenue (DOR) has developed a much simpler H-EZ form for 2004 that many taxpayers can use to make filing easier. However, a landlord signed rent certificate or a property tax bill (if owned) is still required. Detailed information and forms for the Wisconsin HC can be found at

<http://www.dor.state.wi.us/faqs/ise/home.html>.

FEDERAL CHILD TAX CREDIT

Finally, the federal Child Tax Credit can provide up to \$1,000 per child under age 17 for eligible low income working families. This credit can be claimed on federal tax forms 1040 or 1040A.

Detailed information and forms for the federal child tax credit can be found at IRS site: <http://www.irs.gov/newsroom/article/0,,id=106182,00.html>

2004 Maximum Tax Credits with Income Eligibility Limits

Number of Qualifying Children	Federal EIC	Wisconsin EIC	EIC Income Limits (state And federal)	Wisconsin Homestead (HC)	HC Income Limits	Child Tax Credit
Zero	Up to \$390	\$0	< \$11,490 < \$12,490 (Married)	Up to \$1,160	\$24,500	\$0
One	Up to \$2,604	Up to \$104	< \$30,338 < \$31,338 (Married)	Up to \$1,160	\$24,500	Up to \$1,000
Two	Up to \$4,300	Up to \$602	< \$34,458 < \$35,458	Up to \$1,160	\$24,500	Up to \$2,000
Three	Up to \$4,300	Up to \$1,849	< \$34,458 < \$35,458	Up to \$1,160	\$24,500	Up to \$1,000 per child

FEDERAL INTERNAL REVENUE SERVICE EITC CERTIFICATION TEST

The IRS is continuing a test project started last year that requires only 25,000 people nationwide who claimed the federal earned income tax credit (EITC) in 2003 to provide documentation to support their claim. The IRS reported they anticipated their notification letter would be sent to all selected individuals before January 1, 2005, and their letter would indicate what documentation is required. This project will not affect individuals who did not claim the earned income tax credit last year. All affected individuals have already been informed of the specific documentation they must provide directly to the IRS. Those who received but misplaced this letter should contact their local IRS office for guidance. The nearest IRS office can be found by calling 1-800-829-1040.

TAX REFUND INTERCEPT BY FEDERAL IRS AND/OR WISCONSIN DOR

Any person receiving a tax refund who owes back taxes, unpaid child support, unpaid parking tickets or other government fees should be made aware that their tax refunds can be reduced or eliminated due to this outstanding debt.

FREE LOW INCOME TAX ASSISTANCE SITES

There are Volunteer Income Tax Assistance (VITA) and other free tax preparation sites that can determine eligibility for tax credits and prepare basic tax returns at no cost for low income individuals, individuals with disabilities, non-English speaking tax payers, and the elderly. Many of these sites offer free electronic tax filing which may provide a tax refund within 7 to 10 days after filing, if the taxpayer has a checking or savings account to allow electronic deposits.

For the location of a local VITA site or to obtain assistance with federal tax questions, call 1-800-829-1040. A listing of some Wisconsin VITA sites can also be found at <http://www.dor.state.wi.us/faqs/pcs/vita.html>. The American Association of Retired Persons (AARP) also has free basic tax assistance for low income individuals and the elderly. The nearest AARP Tax-Aide site can be found by calling 1 888 227-7669 or by visiting the AARP Website located at <http://www.aarp.org/money/taxaide>.

Persons using these free tax assistance sites should call first to see if an appointment is needed and what documents they need to bring for tax return preparation. It is also important to verify if

the local free tax assistance site will prepare any amended tax returns to obtain prior year tax credits, if the person was eligible but did not claim them.

WORK PROGRAM AND OTHER CASE WORKER REQUIRED ACTIONS

Financial and Employment Planners (FEPs) and others working with low income program participants need to be aware of these credits and educate customers concerning the value of these credits. Agencies should maintain self-help materials on EIC and refer individuals to the IRS VITA or other site offering free tax preparation assistance.

In addition, agencies should inform potentially eligible individuals about the advance feature of the federal EIC. Also, staff should be alert for families included in the EITC Certification Test.

Staff should also inform participants about the tax refund intercept used for debt collection.

Following are two reference sites that can also help provide a wide range of state and/or federal tax related answers for taxpayers:

- Wisconsin DOR Individual's Home Page: <http://www.dor.state.wi.us/html/indiv.html>
- Federal IRS Individual's Home Page: <http://www.irs.gov/individuals/index.html>

CONTACTS

BHCE CARES Information & Problem Resolution Center

★Program Categories – FS – FoodShare, MA – Medicaid, SC – Senior Care, CTS – Caretaker Supplement, CC – Child Care, W-2 – Wisconsin Works, FSET – Food Stamp Employment and Training, CF – Children First, EA – Emergency Assistance, JAL – Job Access Loan, JC – Job Center Programs, RAP – Refugee Assistance Program, WIA – Workforce Investment Act, Other EP – Other Employment Programs.

DWD/DWS/BP